

STATE OF TEXAS
RENEWAL COMMUNITY
COMMERCIAL REVITALIZATION DEDUCTION ALLOCATION PROGRAM

General Statement: The 2000 Community Renewal Tax Relief Act (Act) established the Renewal Community Initiative to encourage public-private collaboration to generate economic development in distressed communities. In early 2002, U.S. Department of Housing and Urban Development named forty areas nationwide as Renewal Communities, eligible for a number of federal tax incentives. Two of these areas were in Texas – an area in the City of Corpus Christi and an area in El Paso County.

In addition to the Federal tax incentives, a number of state and local incentives will be available through the governing entity and the state of Texas.

The Act requires each local government designated as a Renewal Community to prepare a tax incentives utilization plan (TIUP) with participation from the community. The TIUP includes how the local, state and federal incentives will be marketed to businesses to increase economic development in the designated area and other commitments made to the Renewal Community.

One of the principal federal tax incentives is the commercial revitalization deduction. Under the Act, \$12 million is allocated to the state for distribution to each of the renewal communities located in its jurisdiction. The State is required to designate a commercial revitalization agency (CRA) to carry out plans for allocation and the qualified allocation plan. The State of Texas has designated the Texas Department of Economic Development as the CRA to carry out the qualified allocation plan. As of September 1, 2003, the CRA will be at the Office of the Governor Economic Development and Tourism.

In order to preserve the local prerogatives contained within the local tax incentive utilization plan, to minimize the cost to the State and to promote the greatest efficiency, the following system is proposed for the State allocation plan.

STATE PLAN

1. Each Renewal Community will file with the CRA a copy of its U.S. Department of Housing and Urban Development approved TIUP and the name, address, and telephone number of the local community's Renewal Community Coordinating Responsible Authority (CoRA).

2. By the first working day of November of each year, each Renewal Community's CoRA will submit to the CRA a Commercial Revitalization Local Strategic Plan for awarding its \$12 million in commercial revitalization deductions. The plan, which will be approved by the Governing Body of the Renewal Community, will address the following criteria:
 - a. The application process including public notice, public comment, and submission of applications nominated by the Governing Body to the CRA; and
 - b. Criteria that the governing body of the Renewal Community will utilize to select applications for nomination. The criteria must include, but is not limited to:
 - 1] Is the project, in the opinion of the local government, beneficial to the community? (May consider input from public hearing, stated community goals, or other local authority.)
 - 2] Confirmation from the Texas Comptroller of Public Accounts that the applicant is in good standing.
 - 3] Confirmation from the Texas Workforce Commission that the applicant is current on unemployment insurance tax.
 - 4] The checklist (Attachment A) shall be completed as part of the application process with a minimum of ten (10) selection criteria met.

The local governing body will forward only nominated applications to the CRA.

 - c. Procedure that the governing body of the Renewal Community, acting as the CRA's agent, will follow in monitoring.

3. Projects will be nominated for allocations at the discretion of the renewal community's governing body. Following each Renewal Community's governing body's action to nominate projects eligible to receive allocations, each Renewal Community CoRA will submit to the CRA:

- a. A certification, executed by the Chief Executive Officer of the governing body, that it has complied with its locally determined allocation plan and to the best of its knowledge the application(s) is complete and meets the requirements of the commercial revitalization deduction (CRD) program,
 - b. Report of the qualified applications received which includes a common selection criterion used for each applicant and a description of the reason for approval or denial for each applicant,
 - c. Copy of each application nominated by the governing body to receive CRD allocations signed by both the applicant and chief executive officer (or his designee) of the jurisdiction in which the Renewal Community is designated, which includes the selection criteria set forth in paragraph 2(b) of this plan.
 - d. Copy of the public notice for the application process, and
 - e. Copy of approved minutes of the governing body's meeting where the CRD applications were discussed and selected.
4. The CRA will allocate deductions on a first-come, first-served basis as nominated by the renewal community CoRA unless prevented for some technical or procedural reason (e.g. application not complete; nomination not complete; amount allocated not available). The CRA will notify the chief executive officer (or his designee) of the local jurisdiction within which the building is located of the allocation or the issue preventing the allocation and provide a reasonable opportunity to comment. Thereafter, the CRA shall notify the applicant of an approved allocation within 60 days of approval.
5. Under the Federal statute, \$12 million of authority is allocated to the State each year for each of the renewal communities. This allocation will remain inviolate for each of the communities from January 1 of each year until December 31 of that year.
6. The Renewal Community CoRA will submit an annual report to the CRA describing the status of each active project in its jurisdiction receiving CRD allocations. The annual reports will be due March 1 of each calendar year beginning in 2003 and ending in 2010 and reporting on activity ending December 31 of the previous year. The report will include:

- a. Status of all projects currently in process in addition to those already in service. Including success stories (press releases, news coverage, etc.)
- b. A brief narrative describing the impact of the CRD on the RC.
- c. Number of direct and indirect jobs both new and retained and approximate average salary.
- d. Copy of the Renewal Community's annual report to the U.S. Department of Housing and Urban Development.

Attachment A
Renewal Community Project Selection Checklist¹

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| 9 | 1. | Does the project encourage expansion or diversification of the local economy? |
| 9 | 2. | Does the project contribute to workforce training? |
| 9 | 3. | Does the project create high skill jobs? |
| 9 | 4. | Does the project increase permanent full-time employment? |
| 9 | 5. | Does the project contribute to the retention of existing jobs? |
| 9 | 6. | Does the project provide increased educational opportunities in the community? |
| 9 | 7. | Does the project provide worker benefits? |
| 9 | 8. | Does the project encourage or support the manufacturing of goods or services that are sold outside the state? |
| 9 | 9. | Does the project attract customers from outside the state or community? |
| 9 | 10. | Does the project foster the growth of entrepreneurship or technological innovation? |
| 9 | 11. | Does the project assist incubation or start up assistance to local businesses? |
| 9 | 12. | Does the project facilitate the movement of goods, capital in to or out of the state or community, including destination tourism? |
| 9 | 13. | Does the project include a strategy for marketing goods or services statewide, nationally or internationally? |
| 9 | 14. | Will the project use HUBs, renewal community businesses, or small businesses, or low-income community businesses as defined by the new market tax credit? |
| 9 | 15. | Will the project encourage the development or expansion of suppliers or ancillary businesses in the region? |
| 9 | 16. | Will the project attract national or international investment to the renewal community? |
| 9 | 17. | Does the project address quality of life issues voiced by local residents? |
| 9 | 18. | As a result of the project, are community residents able to acquire goods or services previously limited or unavailable in the local area? |
| 9 | 19. | Does the project contribute to the health, safety and welfare of local residents? |
| 9 | 20. | Is the project located in a designated Texas Enterprise Zone? |
| 9 | 21. | Will the project create employment opportunities for high-risk youth or other youth? |
| 9 | 22. | Specify up to six elements in the approved Commercial Revitalization Local Strategic Plan that the project supports. |

¹ref. 26 USC section 1400I (e) (2)(A)